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I. LETTER ADDRESSED BY THE MINISTER OF LABOUR TO THE LEADING E- PLOYERS' ASSOCIATIONS AND TRADE UNIONS.

MINISTRY OF LABOUR,
MONTAGU HOUSE,
WHITEHALL, S.W. 1.
20th October, 1917.

SIR,

In July last a circular letter was addressed by the Ministry of Labour to all the principal Employers' Associations and Trade Unions asking for their views on the proposals made in the Report of the Whitley Committee on Joint Standing Industrial Councils, a further copy of which is enclosed. As a result of the replies which have been received from a large number of Employers' organisations and Trade Unions generally favouring the adoption of those proposals, the War Cabinet have decided to adopt the Report as part of the policy which they hope to see carried into effect in the field of industrial reconstruction.

In order that the precise effect of this decision may not be misunderstood, I desire to draw attention to one or two points which have been raised in the communications made to the Ministry on the subject, and on which some misapprehension appears to exist in some quarters.

In the first place, fears have been expressed that the proposal to set up Industrial Councils indicates an intention to introduce an element of State interference which has hitherto not existed in industry. This is not the case. The formation and constitution of the Councils must be principally the work of the industries themselves. Although, for reasons which will be explained later, the Government are very anxious that such Councils should be established in all the well-organised industries with as little delay as possible, they fully realise that the success of the scheme must depend upon a general agreement among the various organisations within a given industry and a clearly expressed demand for the creation of a Council. Moreover, when formed, the Councils would be independent bodies electing their own officers and free to determine their own functions and procedure with reference to

the peculiar needs of each trade. In fact, they would be autonomous bodies, and they would, in effect, make possible a larger degree of self-government in industry than exists to-day.

Secondly, the Report has been interpreted as meaning that the general constitution which it suggests should be applied without modification to each industry. This is entirely contrary to the view of the Government on the matter. To anyone with a knowledge of the diverse kinds of machinery already in operation, and the varying geographical and industrial conditions which affect different industries it will be obvious that no rigid scheme can be applied to all of them. Each industry must therefore adapt the proposals made in the Report as may seem most suitable to its own needs. In some industries, for instance, it may be considered by both employers and employed that a system of Works Committees is unnecessary owing to the perfection of the arrangements already in operation for dealing with the difficulties arising in particular works between the management and the trade union officials. In others Works Committees have done very valuable work where they have been introduced and their extension on agreed lines deserves every encouragement. Again, in industries which are largely based on district organisations it will probably be found desirable to assign more important functions to the District Councils than would be the case in trades which are more completely centralised in national bodies. All these questions will have to be threshed out by the industries themselves and settled in harmony with their particular needs.

Thirdly, it should be made clear that representation on the Industrial Councils is intended to be on the basis of existing organisations among employers and workmen concerned in each industry, although it will, of course, be open to the Councils, when formed, to grant representation to any new bodies which may come into existence and which may be entitled to representation. The authority, and consequently the usefulness of the Councils will depend entirely on the extent to which they represent the different interests and enjoy the whole-hearted support of the existing organisations, and it is therefore desirable that representation should be determined on as broad a basis as possible.

Lastly, it has been suggested that the scheme is intended to promote compulsory arbitration. This is certainly not the case. Whatever agreements may be made for dealing with disputes must be left to the industry itself to frame, and their efficacy must depend upon the voluntary co-operation of the organisations concerned in carrying them out.

I should now like to explain some of the reasons which have made the Government anxious to see Industrial Councils established as soon as possible in the organised trades. The experience of the war has shown the need for frequent consultation between the Government and the chosen representatives of both employers and workmen on vital questions concerning those industries which have been most affected by war conditions. In some instances different Government Departments have approached different organisations in the same industry, and in many cases the absence of joint representative bodies which can speak for their industries as a whole and voice the joint opinion of employers and workmen, has been found to render negotiations much more difficult than they would otherwise have been. The case of the cotton trade, where the industry is being regulated during a very difficult time by a Joint Board of Control, indicates how greatly the task of the State can be alleviated by a self-governing body capable of taking charge of the interests of the whole industry. The problems of the period of transition and reconstruction will not be less difficult than those which the war has created, and the Government accordingly feel that the task of re-building the social and economic fabric on a broader and surer foundation will be rendered much easier if in the organised trades there exist representative bodies to which the various questions of difficulty can be referred for consideration and advice as they arise. There are a number of such questions on which the Government will need the united and considered opinion of each large industry, such as the demobilisation of the Forces, the re-settlement of munition workers in civil industries, apprenticeship (especially where interrupted by war service), the training and employment of disabled soldiers, and the control of raw

materials ; and the more it is able to avail itself of such an opinion the more satisfactory and stable the solution of these questions is likely to be.

Further, it will be necessary in the national interest to ensure a settlement of the more permanent questions which have caused differences between employers and employed in the past, on such a basis as to prevent the occurrence of disputes and of serious stoppages in the difficult period during which the problems just referred to will have to be solved. It is felt that this object can only be secured by the existence of permanent bodies on the lines suggested by the Whitley Report, which will be capable not merely of dealing with disputes when they arise, but of settling the big questions at issue so far as possible on such a basis as to prevent serious conflicts arising at all.

The above statement of the functions of the Councils is not intended to be exhaustive, but only to indicate some of the more immediate questions which they will be called upon to deal with when set up. Their general objects are described in the words of the Report as being "to offer to workpeople the means of attaining improved conditions of employment and a higher standard of comfort generally, and involve the enlistment of their active and continuous co-operation in the promotion of industry." Some further specific questions, which the Councils might consider, were indicated by the Committee in paragraph 16 of the Report, and it will be for the Councils themselves to determine what matters they shall deal with. Further, such Councils would obviously be the suitable bodies to make representations to the Government as to legislation, which they think would be of advantage to their industry.

In order, therefore, that the Councils may be able to fulfil the duties which they will be asked to undertake, and that they may have the requisite status for doing so, the Government desire it to be understood that the Councils will be recognised as the official standing Consultative Committees to the Government on all future questions affecting the industries which they represent, and that they will be the normal channel through which the opinion and experience of an industry will be sought on all questions with which

the industry is concerned. It will be seen, therefore, that it is intended that Industrial Councils should play a definite and permanent part in the economic life of the country, and the Government feels that it can rely on both employers and workmen to co-operate in order to make that part a worthy one.

I hope, therefore, that you will take this letter as a formal request to your organisation on the part of the Government to consider the question of carrying out the recommendations of the Report so far as they are applicable to your industry. The Ministry of Labour will be willing to give every assistance in its power in the establishment of Industrial Councils, and will be glad to receive suggestions as to the way in which it can be given most effectively. In particular, it will be ready to assist in the convening of representative conferences to discuss the establishment of Councils, to provide secretarial assistance and to be represented, if desired, in a consultative capacity at the preliminary meetings. The Ministry will be glad to be kept informed of any progress made in the direction of forming Councils. Although the scheme is only intended, and indeed can only be applied, in trades which are well organised on both sides, I would point out that it rests with those trades which do not at present possess a sufficient organisation to bring it about if they desire to apply it to themselves.

In conclusion, I would again emphasise the pressing need for the representative organisations of employers and workpeople to come together in the organised trades and to prepare themselves for the problems of reconstruction by forming Councils competent to deal with them. The Government trust that they will approach these problems not as two opposing forces each bent on getting as much and giving as little as can be contrived, but as forces having a common interest in working together for the welfare of their industry, not merely for the sake of those concerned in it, but also for the sake of the nation which depends so largely on its industries for its well-being. If the spirit which has enabled all classes to overcome by willing co-operation the innumerable dangers and difficulties which have beset us during the war is applied

to the problems of Reconstruction, I am convinced that they can be solved in a way which will lay the foundation of the future prosperity of the country and of those engaged in its great industries.

I am, Sir,
Your obedient servant,
GEO. H. ROBERTS.

INDUSTRIAL COUNCILS.

REPORT

OF THE

Reconstruction Committee on Relations between Employers and Employed.

The Committee consisted of the following members :—

THE RIGHT HON. J. H. WHITLEY, M.P., Chairman.
(Chairman of Committees, House of Commons.)

Mr. F. S. BUTTON (formerly Member of Executive Council, Amalgamated Society of Engineers).
Sir G. J. CARTER, K.B.E. (Chairman, Shipbuilding Employers' Federation).

Professor S. J. CHAPMAN, C.B.E. (Professor of Political Economy, University of Manchester).

Sir GILBERT CLAUGHTON, Bart. (Chairman, London and North Western Railway Company).

Mr. J. R. CLYNES, M.P. (President, National Union of General Workers).

Mr. J. A. HOBSON.

Miss SUSAN LAWRENCE (Member of London County Council and Member of the Executive Committee of the Women's Trade Union League).

Mr. J. J. MALLON (Secretary, National Anti-Sweating League).

Sir THOS. A. RATCLIFFE-ELLIS (Secretary, Mining Association of Great Britain).

Mr. ROBERT SMILLIE (President, Miners' Federation of Great Britain).

Mr. ALLAN M. SMITH (Chairman, Engineering Employers' Federation).

Miss MONA WILSON (National Health Insurance Commissioner).

Mr. H. J. WILSON, Ministry of Labour,
Mr. ARTHUR GREENWOOD,

Secretaries.

To the Right Honourable D. LLOYD GEORGE, M.P.,
Prime Minister.

SIR,

We have the honour to submit the following
Interim Report on Joint Standing Industrial Councils.

2. The terms of reference to the Sub-Committee are:—

“(1) To make and consider suggestions for securing a permanent improvement in the relations between employers and workmen.

“(2) To recommend means for securing that industrial conditions affecting the relations between employers and workmen shall be systematically reviewed by those concerned, with a view to improving conditions in the future.”

3. After a general consideration of our duties in relation to the matters referred to us, we decided first to address ourselves to the problem of establishing permanently improved relations between employers and employed in the main industries of the country, in which there exist representative organisations on both sides. The present report accordingly deals more especially with these trades. We are proceeding with the consideration of the problems connected with the industries which are less well organised.

4. We appreciate that under the pressure of the war both employers and workpeople and their organisations are very much pre-occupied, but, notwithstanding, we believe it to be of the highest importance that our proposals should be put before those concerned without delay, so that employers and employed may meet in the near future and discuss the problems before them.

5. The circumstances of the present time are admitted on all sides to offer a great opportunity for securing a permanent improvement in the relations between employers and employed, while failure to utilise the opportunity may involve the nation in grave industrial difficulties at the end of the war.

It is generally allowed that the war almost enforced some reconstruction of industry, and in considering the

subjects referred to us we have kept in view the need for securing in the development of reconstruction the largest possible measure of co-operation between employers and employed.

In the interests of the community it is vital that after the war the co-operation of all classes, established during the war, should continue, and more especially with regard to the relations between employers and employed. For securing improvement in the latter, it is essential that any proposals put forward should offer to workpeople the means of attaining improved conditions of employment and a higher standard of comfort generally, and involve the enlistment of their active and continuous co-operation in the promotion of industry.

To this end, the establishment for each industry of an organisation, representative of employers and workpeople, to have as its object the regular consideration of matters affecting the progress and well-being of the trade from the point of view of all those engaged in it, so far as this is consistent with the general interest of the community, appears to us necessary.

6. Many complicated problems have arisen during the war which have a bearing both on employers and workpeople, and may affect the relations between them. It is clear that industrial conditions will need careful handling if grave difficulties and strained relations are to be avoided after the war has ended. The precise nature of the problems to be faced naturally varies from industry to industry, and even from branch to branch within the same industry. Their treatment consequently will need an intimate knowledge of the facts and circumstances of each trade, and such knowledge is to be found only among those directly connected with the trade.

7. With a view to providing means for carrying out the policy outlined above, we recommend that His Majesty's Government should propose without delay to the various associations of employers and employed the formation of Joint Standing Industrial Councils in the several industries, where they do not already exist, composed of representatives of employers and

employed, regard being paid to the various sections of the industry and the various classes of labour engaged.

8. The appointment of a Chairman or Chairmen should, we think, be left to the Council who may decide that these should be—

- (1) A Chairman for each side of the Council;
- (2) A Chairman and Vice-Chairman selected from the members of the Council (one from each side of the Council);
- (3) A Chairman chosen by the Council from independent persons outside the industry; or
- (4) A Chairman nominated by such person or authority as the Council may determine or, failing agreement, by the Government.

9. The Council should meet at regular and frequent intervals.

10. The objects to which the consideration of the Councils should be directed should be appropriate matters affecting the several industries and particularly the establishment of a closer co-operation between employers and employed. Questions connected with demobilisation will call for early attention.

11. One of the chief factors in the problem, as it at first presents itself, consists of the guarantees given by the Government, with Parliamentary sanction, and the various undertakings entered into by employers, to restore the Trade Union rules and customs suspended during the war. While this does not mean that all the lessons learnt during the war should be ignored, it does mean that the definite co-operation and acquiescence by both employers and employed must be a condition of any setting aside of these guarantees or undertakings, and that, if new arrangements are to be reached, in themselves more satisfactory to all parties but not in strict accordance with the guarantees, they must be the joint work of employers and employed.

12. The matters to be considered by the Councils must inevitably differ widely from industry to

industry, as different circumstances and conditions call for different treatment, but we are of opinion that the suggestions set forth below ought to be taken into account, subject to such modification in each case as may serve to adapt them to the needs of the various industries.

13. In the well-organised industries, one of the first questions to be considered should be the establishment of local and works organisations to supplement and make more effective the work of the central bodies. It is not enough to secure co-operation at the centre between the national organisations; it is equally necessary to enlist the activity and support of employers and employed in the districts and in individual establishments. The National Industrial Council should not be regarded as complete in itself; what is needed is a triple organisation—in the workshops, the districts, and nationally. Moreover, it is essential that the organisation at each of these three stages should proceed on a common principle, and that the greatest measure of common action between them should be secured.

14. With this end in view, we are of opinion that the following proposals should be laid before the National Industrial Councils:—

- (a) That District Councils, representative of the Trade Unions and of the Employers' Association in the industry, should be created, or developed out of the existing machinery for negotiation in the various trades.
- (b) That Works Committees, representative of the management and of the workers employed, should be instituted in particular works to act in close co-operation with the district and national machinery.

As it is of the highest importance that the scheme making provision for these Committees should be such as to secure the support of the Trade Unions and Employers' Associations concerned, its design should be a matter for agreement between these organisations.

Just as regular meetings and continuity of co-operation are essential in the case of the National Industrial Councils, so they seem to be necessary in the case of the district and works organisations. The object is to secure co-operation by granting to workpeople a greater share in the consideration of matters affecting their industry, and this can only be achieved by keeping employers and workpeople in constant touch.

15. The respective functions of Works Committees, District Councils, and National Councils will no doubt require to be determined separately in accordance with the varying conditions of different industries. Care will need to be taken in each case to delimit accurately their respective functions, in order to avoid overlapping and resulting friction. For instance, where conditions of employment are determined by national agreements, the District Councils or Works Committees should not be allowed to contract out of conditions so laid down, nor, where conditions are determined by local agreements, should such power be allowed to Works Committees.

16. Among the questions with which it is suggested that the National Councils should deal or allocate to District Councils or Works Committees the following may be selected for special mention :—

- (i) The better utilisation of the practical knowledge and experience of the workpeople.
- (ii) Means for securing to the workpeople a greater share in and responsibility for the determination and observance of the conditions under which their work is carried on.
- (iii) The settlement of the general principles governing the conditions of employment, including the methods of fixing, paying, and readjusting wages, having regard to the need for securing to the workpeople a share in the increased prosperity of the industry.
- (iv) The establishment of regular methods of negotiation for issues arising between employers and workpeople, with a view both to the prevention of differences, and to their better adjustment when they appear.

(v) Means of ensuring to the workpeople the greatest possible security of earnings and employment, without undue restriction upon change of occupation or employer.

(vi) Methods of fixing and adjusting earnings, piecework prices, &c., and of dealing with the many difficulties which arise with regard to the method and amount of payment apart from the fixing of general standard rates, which are already covered by paragraph (iii).

(vii) Technical education and training.

(viii) Industrial research and the full utilisation of its results.

(ix) The provision of facilities for the full consideration and utilisation of inventions and improvement designed by workpeople, and for the adequate safeguarding of the rights of the designers of such improvements.

(x) Improvements of processes, machinery and organisation and appropriate questions relating to management and the examination of industrial experiments, with special reference to co-operation in carrying new ideas into effect and full consideration of the workpeople's point of view in relation to them.

(xi) Proposed legislation affecting the industry.

17. The methods by which the functions of the proposed Councils should be correlated to those of joint bodies in the different districts, and in the various works within the districts, must necessarily vary according to the trade. It may, therefore, be the best policy to leave it to the trades themselves to formulate schemes suitable to their special circumstances, it being understood that it is essential to secure in each industry the fullest measure of co-operation between employers and employed, both generally, through the National Councils, and specifically, through district Committees and workshop Committees:

18. It would seem advisable that the Government should put the proposals relating to National Industrial Councils before the employers' and workpeople's

associations and request them to adopt such measures as are needful for their establishment where they do not already exist. Suitable steps should also be taken, at the proper time, to put the matter before the general public.

19. In forwarding the proposals to the parties concerned, we think the Government should offer to be represented in an advisory capacity at the preliminary meetings of a Council, if the parties so desire. We are also of opinion that the Government should undertake to supply to the various Councils such information on industrial subjects as may be available and likely to prove of value.

20. It has been suggested that means must be devised to safeguard the interests of the community against possible action of an anti-social character on the part of the Councils. We have, however, here assumed that the Councils, in their work of promoting the interests of their own industries, will have regard for the National interest. If they fulfil their functions they will be the best builders of national prosperity. The State never parts with its inherent over-riding power, but such power may be least needed when least obtruded.

21. It appears to us that it may be desirable at some later stage for the State to give the sanction of law to agreements made by the Councils, but the initiative in this direction should come from the Councils themselves.

22. The plans sketched in the foregoing paragraphs are applicable in the form in which they are given only to industries in which there are responsible associations of employers and workpeople which can claim to be fairly representative. The case of the less well-organised trades or sections of a trade necessarily needs further consideration. We hope to be in a position shortly to put forward recommendations that will prepare the way for the active utilisation in these trades of the same practical co-operation as is foreshadowed in

the proposals made above for the more highly-organised trades.

23. It may be desirable to state here our considered opinion that an essential condition of securing a permanent improvement in the relations between employers and employed is that there should be adequate organisation on the part of both employers and workpeople. The proposals outlined for joint co-operation throughout the several industries depend for their ultimate success upon there being such organisation on both sides; and such organisation is necessary also to provide means whereby the arrangements and agreements made for the industry may be effectively carried out.

24. We have thought it well to refrain from making suggestions or offering opinions with regard to such matters as profit-sharing, co-partnership, or particular systems of wages, &c. It would be impracticable for us to make any useful general recommendations on such matters, having regard to the varying conditions in different trades. We are convinced, moreover, that a permanent improvement in the relations between employers and employed must be founded upon something other than a cash basis. What is wanted is that the workpeople should have a greater opportunity of participating in the discussion about and adjustment of those parts of industry by which they are most affected.

25. The schemes recommended in this Report are intended not merely for the treatment of industrial problems when they have become acute, but also, and more especially, to prevent their becoming acute. We believe that regular meetings to discuss industrial questions, apart from and prior to any differences with regard to them that may have begun to cause friction, will materially reduce the number of occasions on which, in the view of either employers or employed, it is necessary to contemplate recourse to a stoppage of work.

26. We venture to hope that representative men in each industry, with pride in their calling and care for its place as a contributor to the national well-being, will come together in the manner here suggested, and

apply themselves to promoting industrial harmony and efficiency and removing the obstacles that have hitherto stood in the way.

We have the honour to be, Sir,
Your obedient Servants,

J. H. WHITLEY, *Chairman.*

F. S. BUTTON.

GEO. J. CARTER.

S. J. CHAPMAN.

G. H. CLAUGHTON.

J. R. CLYNES.

J. A. HOBSON.

A. SUSAN LAWRENCE.

J. J. MALLON.

THOS. R. RATCLIFFE-ELLIS.

ROBT. SMILLIE.

ALLAN M. SMITH.

MONA WILSON.

H. J. WILSON,
ARTHUR GREENWOOD,
Secretaries.

8th March, 1917.

APPENDIX.

The following questions were addressed by the Reconstruction Committee to the Sub-Committee on the Relations between Employers and Employed in order to make clear certain points which appeared to call for further elucidation. The answers given are subjoined.

Q. 1. In what classes of Industries does the Interim Report propose that Industrial Councils shall be established? What basis of classification has the Sub-Committee in view?

A. 1. It has been suggested that, for the purpose of considering the establishment of Industrial Councils, or other bodies designed to assist in the improvement of relations between employers and employed, the various industries should be grouped into three classes—(a) industries in which organisation on the part of employers and employed is sufficiently developed to render the Councils representative; (b) industries in which either as regards employers and employed, or both, the degree of organisation, though considerable, is less marked than in (a) and is insufficient to be regarded as representative; and (c) industries in which organisation is so imperfect, either as regards employers or employed, or both, that no Associations can be said adequately to represent those engaged in the trade.

It will be clear that an analysis of industries will show a number which are on the border lines between these groups, and special consideration will have to be given to such trades. So far as groups (a) and (c) are concerned, a fairly large number of trades can readily be assigned to them; group (b) is necessarily more indeterminate.

For trades in group (a) the Committee have proposed the establishment of Joint Standing Industrial Councils in the several trades. In dealing with the various industries it may be necessary to consider

specially the case of parts of industries in group (a) where organisation is not fully developed.

Q. 2. Is the machinery proposed intended to be in addition to or in substitution for existing machinery? Is it proposed that existing machinery should be superseded? By "existing machinery" is meant Conciliation Boards and all other organisations for joint conference and discussion between Employers and Employed.

A. 2. In most organised trades there already exist joint bodies for particular purposes. It is not proposed that the Industrial Councils should necessarily disturb these existing bodies. A council would be free, if it chose and if the bodies concerned approved, to merge existing Committees, &c., in the Council or to link them with the Council as Sub-Committees.

Q. 3. Is it understood that membership of the Councils is to be confined to representatives elected by Employers' Associations and Trade Unions? What is the view of the Sub-Committee regarding the entry of new organisations established after the Councils have been set up?

A. 3. It is intended that the Councils should be composed only of representatives of Trade Unions and Employers' Associations, and that new organisations should be admitted only with the approval of the particular side of the Council of which the organisation would form a part.

Q. 4. (a)—Is it intended that decisions reached by the Councils shall be binding upon the bodies comprising them? If so, is such binding effect to be conditional upon the consent of each Employers' Association or Trade Union affected?

A. 4. (a) It is contemplated that agreements reached by Industrial Councils should (whilst not, of course, possessing the binding force of law) carry with them the same obligation of observance as exists in the case of other agreements between Employers' Associations and Trade Unions. A Council, being on its workmen's side based on the Trade Unions concerned in the industry, its powers or authority could only be such as the constituent Trade Unions freely agreed to.

Q. 4. (b) In particular, is it intended that all pledges given either by the Government or employers for the restoration of Trade Union rules and practices after the war shall be redeemed without qualification unless the particular Trade Union concerned agrees to alteration; or, on the contrary, that the Industrial Council shall have power to decide such question by a majority vote of the workmen's representatives from all the Trade Unions in the industry?

A. 4. (b) It is clearly intended that all pledges relating to the restoration of Trade Union rules shall be redeemed without qualification unless the particular Trade Union concerned agrees to alteration; and it is not intended that the Council shall have power to decide such questions by a majority vote of the workmen's representatives from all the Trade Unions in the industry.

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